

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Deerfield Township</b>	County <b>Lenawee</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>12/14/05</b>	Date Accountant Report Submitted to State: <b>12/30/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

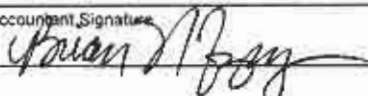
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Gross, Puckey, Gruel &amp; Roof, P.C.</b>			
Street Address <b>153 E. Maumee St.</b>	City <b>Adrian</b>	State <b>MI</b>	ZIP <b>49221</b>
Accountant Signature 		Date <b>12/21/05</b>	

**TOWNSHIP OF DEERFIELD**  
**Lenawee County, Michigan**

**FINANCIAL STATEMENTS and**  
**INDEPENDENT AUDITOR'S REPORT**

**Year Ending June 30, 2005**

DEERFIELD TOWNSHIP  
Lenawee County, Michigan

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**  
Year Ended June 30, 2005

**TABLE OF CONTENTS**

	<u>Page Number</u>
Independent Auditors' Report	I
Basic Financial Statements:	
Balance Sheet - Governmental Funds	2
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	3
Statement of Net Assets - Fiduciary Fund	4
Notes to Financial Statements	5 - 8
Required Supplemental Information:	
Budgetary Comparison Schedule - General Fund	9
Budgetary Comparison Schedule - Roads Fund	10
Budgetary Comparison Schedule - Fire Operations / Equipment Fund	11
Combining Balance Sheet - Non-Major Governmental Funds	12
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds	13
Report on Compliance and on Internal Control Over Financial Reporting Based On An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14



ADRIAN, MICHIGAN  
JACKSON, MICHIGAN

## INDEPENDENT AUDITORS' REPORT

To the Township Board  
Township of Deerfield  
Lenawee County, Michigan

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Township of Deerfield, Michigan, as of and for the year ended June 30, 2005, as shown on pages 2 through 4, which collectively comprise a portion of the City's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Township of Deerfield, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the City's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Deerfield, Michigan, as of June 30, 2005, or the changes in its financial position or its cash flows, where applicable, for the year then ended.

*Gross Puckey Gruel & Roof, P.C.*

Adrian, Michigan  
December 14, 2005

DEERFIELD TOWNSHIP  
LENAWEE COUNTY, MICHIGAN  
GOVERNMENTAL FUNDS BALANCE SHEET  
June 30, 2005

	<u>General</u>	<u>Roads</u>	<u>Fire Op/Equip</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 208,138	\$ 175,729	\$ 7,385
Taxes receivable	311	734	(30)
Due from fiduciary funds	<u>220</u>	<u>738</u>	<u>246</u>
Total Assets	<u>\$ 208,669</u>	<u>\$ 177,201</u>	<u>\$ 7,601</u>
<u>Liabilities and Fund Equity</u>			
<u>Liabilities</u>			
Accounts payable	\$ 2,483	\$ -	\$ -
Due to others	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>2,483</u>	<u>-</u>	<u>-</u>
<u>Fund Equity</u>			
Fund balances:			
Reserved			
Reserved for library	3,414		-
Reserved for cemetery	6,557		-
Reserved for roads	-		-
Reserved for fire equipment	-		-
Reserved for fire operations	-		-
Reserved for fire operations - equip. only	-		-
Unreserved			
Designated for subsequent year expenses	<u>196,215</u>	<u>\$ 177,201</u>	<u>7,601</u>
Total fund equity	<u>206,186</u>	<u>177,201</u>	<u>7,601</u>
Total Liabilities and Fund Equity	<u>\$ 208,669</u>	<u>\$ 177,201</u>	<u>\$ 7,601</u>

Non-major Funds	Total (Memorandum Only)
\$ 23,011	\$ 414,263
182	1,197
185	1,389
<u>\$ 23,378</u>	<u>\$ 416,849</u>
\$ -	\$ 2,483
-	-
<u>-</u>	<u>2,483</u>
-	3,414
-	6,557
-	-
-	-
-	-
-	-
<u>23,378</u>	<u>404,395</u>
<u>23,378</u>	<u>414,366</u>
<u>\$ 23,378</u>	<u>\$ 416,849</u>

The accompanying notes are an integral part of these financial statements.

DEERFIELD TOWNSHIP  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE - GOVERNMENTAL FUNDS**  
Year Ended June 30, 2005

	<u>General</u>	<u>Roads</u>	<u>Fire Op/Equip</u>
REVENUES:			
Taxes and penalties	\$ 103,703	\$ 135,305	\$ 45,102
Charges for services	14,547	-	-
Interest and rentals	1,428	2,348	217
Other revenue	<u>6,500</u>	<u>-</u>	<u>3,500</u>
Total revenues	126,178	137,653	48,819
EXPENDITURES:			
Current			
Legislative	2,368	-	-
General government	62,473	-	-
Public safety	86,847	-	-
Public works	182,589	-	-
Capital outlay	<u>136,529</u>	<u>-</u>	<u>-</u>
Total expenditures	470,806	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(344,628)</u>	<u>137,653</u>	<u>48,819</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	320,943		-
Operating transfers out	<u>-</u>	<u>(231,721)</u>	<u>(60,000)</u>
Total other financing sources	320,943	<u>(231,721)</u>	<u>(60,000)</u>
Net change in fund balances	(23,685)	(94,068)	(11,181)
FUND BALANCES:			
Fund Balance - July 1, 2004	<u>229,870</u>	<u>271,269</u>	<u>18,782</u>
Fund Balance - June 30, 2005	<u>\$ 206,186</u>	<u>\$ 177,201</u>	<u>\$ 7,601</u>

<u>Non-major Funds</u>	<u>Total (Memorandum Only)</u>
\$ 33,826	\$ 317,936
-	14,547
188	4,181
<u>-</u>	<u>10,000</u>
34,014	346,664
-	2,368
-	62,473
-	86,847
-	182,589
<u>-</u>	<u>136,529</u>
<u>-</u>	<u>470,806</u>
<u>34,014</u>	<u>(124,142)</u>
-	320,943
<u>(29,222)</u>	<u>(320,943)</u>
<u>(29,222)</u>	<u>-</u>
4,792	(124,142)
<u>18,586</u>	<u>538,507</u>
<u>\$ 23,378</u>	<u>\$ 414,366</u>

The accompanying notes are an integral part of these financial statements.



DEERFIELD TOWNSHIP

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
June 30, 2005

	<u>Trust and Agency</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 3,890</u>
	<u>\$ 3,890</u>
<u>LIABILITIES AND FUND BALANCES</u>	
LIABILITIES:	
Due to other funds	<u>\$ 3,890</u>
TOTAL LIABILITIES	<u>\$ 3,890</u>

The accompanying notes are an integral part of these financial statements.

DEERFIELD TOWNSHIP  
LENAWEE COUNTY, MICHIGAN  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Deerfield Township, Lenawee County, Michigan conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

**FUND ACCOUNTING**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures, as appropriate. Township resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental funds are used to account for all or most of a Township's general activities, including the collection and disbursement of earmarked monies (Special Revenue Funds) which are used to account for resources legally restricted to expenditure for specified current operating purposes or the acquisition of furniture, fixtures, machinery, equipment, or other relatively minor or comparatively short-lived fixed assets. The General Fund is used to account for all activities of the Township not accounted for in some other fund.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Township. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the Township is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the Township holds on behalf of others as their agent.

**BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The Township had no proprietary funds at June 30, 2005.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as

DEERFIELD TOWNSHIP  
LENAWEE COUNTY, MICHIGAN  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING (continued)

fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Significant revenues susceptible to accrual are state shared revenues, reimbursement type grants, and reimbursement for use of materials or services.

The accrual basis of accounting is utilized by proprietary fund types and nonexpendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Township applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The Township reports deferred revenue on its combined balance sheet when a potential revenue does not meet the "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures, or when receivables are collectable over an extended period of time and because of the terms and other conditions there is no reasonable basis for estimating the degree of collectibility. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources or as the collectibility is determined, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

BUDGETS

In the body of the financial statements, the Township's actual expenditures and budget expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the functional level. Appropriations lapse at year end. The budgets presented are the final revised budgets, presented to and approved by the Board.

PROPERTY TAXES

Properties are assessed and liened as of December 31 and their related property taxes are billed on December 1 of the following year. These taxes are due March 1 before they are added to the county delinquent tax rolls.

SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

DEERFIELD TOWNSHIP  
LENAWEE COUNTY, MICHIGAN  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

TAXES RECEIVABLE – CURRENT

The Township property tax is levied on each December 1<sup>st</sup> on the State equalized valuation of property located in the Township as of the preceding December 31<sup>st</sup>.

Although the Township's 2005 ad valorem tax is levied and collectible on December 31, 2004, it is the Township policy to recognize revenue from the current tax levy. The 2004 State equalized valuation of the Township totaled \$45,368,043.

TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH DEPOSITS

For financial statement purposes, checking accounts, savings accounts and certificates of deposit are considered to be cash equivalents. The Township has no investments and has not adopted an investment policy in accordance with Michigan Public Act 20 of the Public Acts of 1943, as amended.

As of June 30, 2005 Deerfield Township had the following amounts deposited:

	<u>Interest Rate</u>	<u>Amount</u>
General Fund:		
United Bank and Trust		
General checking	0.55 %	\$ 149,700
General Flex Savings	0.55 %	47,315
Savings – Perpetual Care	0.55 %	7,659
Savings – Library	0.55 %	3,464
		<u>\$ 208,138</u>

DEERFIELD TOWNSHIP  
LENAWEE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

NOTE 2: CASH DEPOSITS (Continued)

As of June 30, 2005 the Township had the following amounts deposited:

Special Revenue Fund:	Interest Rate	Amount
United Bank and Trust		
Savings – Roads	0.55 %	\$ 175,729
Savings – Fire Equipment	0.55 %	18,689
Savings – Fire Operations	0.55 %	4,322
Savings – Fire Operations, Equipment Only	0.55 %	7,385
		<u>\$ 206,125</u>
	Carrying amount	Bank Balance
Insured Amount	\$ 100,000	\$ 100,000
Uninsured - uncollateralized	314,263	324,731
	<u>\$ 414,263</u>	<u>\$ 424,731</u>

NOTE 3: RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (worker's compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 4: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the general-purpose financial statements, the Township's actual expenditures and budgetary expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for those budgetary funds were adopted to the functional level. During the year ended June 30, 2005, the Township incurred expenditures in certain budgetary funds which were in excess of the amount appropriated, but not materially.

NOTE 5: OTHER FINANCING SOURCES (USES)

The transfer of cash between the various Township funds are budgeted but reported separate from revenue and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case they are carried as assets or liabilities of the advancing or borrowing fund.

DEERFIELD TOWNSHIP

**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
Year Ended June 30, 2005

	General Fund			
	Original Budget	Final Budget	Actual	Variance Over(Under)
REVENUES:				
Taxes and penalties	\$ 85,000	\$ 85,000	\$ 103,703	\$ 18,703
Charges for services	23,000	23,000	14,547	(8,453)
Interest and rentals	-	-	1,428	1,428
Other revenue	7,500	7,500	6,500	(1,000)
Total revenues	115,500	115,500	126,178	10,678
EXPENDITURES:				
Current				
Legislative	3,000	3,000	2,368	(632)
General government	65,100	65,100	62,473	(2,628)
Public safety	54,004	54,004	86,847	32,843
Public works	146,430	146,430	182,589	36,159
Capital outlay	39,953	39,953	136,529	96,576
Total expenditures	308,487	308,487	470,806	162,319
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(192,987)	(192,987)	(344,628)	(151,641)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	192,987	192,987	320,943	127,956
Total other financing sources (uses)	192,987	192,987	320,943	127,956
Net change in fund balances	\$ -	\$ -	(23,685)	\$ (23,685)
FUND BALANCES:				
Fund Balance - July 1, 2004			229,870	
Fund Balance - June 30, 2005			\$ 206,186	

The accompanying notes are an integral part of these financial statements.

DEERFIELD TOWNSHIP

**BUDGETARY COMPARISON SCHEDULE**  
**MAJOR SPECIAL REVENUE FUNDS**  
Year Ended June 30, 2005

	Roads Fund			
	Original Budget	Final Budget	Actual	Variance Over(Under)
REVENUES:				
Taxes and penalties	\$ 122,430	\$ 122,430	\$ 135,305	\$ 12,875
Interest and rentals	<u>-</u>	<u>-</u>	<u>2,348</u>	<u>2,348</u>
Total revenues	122,430	122,430	137,653	15,223
EXPENDITURES:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>122,430</u>	<u>122,430</u>	<u>137,653</u>	<u>15,223</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	<u>(122,430)</u>	<u>(122,430)</u>	<u>(231,721)</u>	<u>(109,291)</u>
Total other financing sources (uses)	<u>(122,430)</u>	<u>(122,430)</u>	<u>(231,721)</u>	<u>(109,291)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(94,068)</u>	<u>\$ (94,068)</u>
FUND BALANCES:				
Fund Balance - July 1, 2004			<u>271,269</u>	
Fund Balance - June 30, 2005			<u>\$ 177,201</u>	

The accompanying notes are an integral part of these financial statements.

DEERFIELD TOWNSHIP

**BUDGETARY COMPARISON SCHEDULE  
MAJOR SPECIAL REVENUE FUNDS**

Year Ended June 30, 2005

	Fire Operations/Equipment Fund			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over(Under)</u>
REVENUES:				
Taxes and penalties	\$ 20,403	\$ 20,403	\$ 45,102	\$ 24,699
Other revenues	-	-	3,500	3,500
Interest and rentals	-	-	217	217
Total revenues	20,403	20,403	48,819	28,416
EXPENDITURES:	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>20,403</u>	<u>20,403</u>	<u>48,819</u>	<u>28,416</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	<u>(20,403)</u>	<u>(20,403)</u>	<u>(60,000)</u>	<u>(39,597)</u>
Total other financing sources (uses)	<u>(20,403)</u>	<u>(20,403)</u>	<u>(60,000)</u>	<u>(39,597)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	(11,181)	<u>\$ (11,181)</u>
FUND BALANCES:				
Fund Balance - July 1, 2004			<u>18,782</u>	
Fund Balance - June 30, 2005			<u>\$ 7,601</u>	

The accompanying notes are an integral part of these financial statements.



DEERFIELD TOWNSHIP

COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2005

	Fire Equipment Fund	Fire Operations Fund	Total
<u>ASSETS</u>			
Cash and deposits	\$ 18,689	\$ 4,322	\$ 23,011
Taxes receivable	121	61	182
Due from fiduciary funds	124	61	185
	<u>\$ 18,934</u>	<u>\$ 4,444</u>	<u>\$ 23,378</u>
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES:	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:			
Unreserved/Undesignated	<u>18,934</u>	<u>4,444</u>	<u>23,378</u>
TOTAL FUND BALANCE	<u>18,934</u>	<u>4,444</u>	<u>23,378</u>
	<u>\$ 18,934</u>	<u>\$ 4,444</u>	<u>\$ 23,378</u>

The accompanying notes are an integral part of these financial statements.

DEERFIELD TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2005

	Fire Equipment Fund	Fire Operations Fund	Total
REVENUES:			
Taxes and penalties	\$ 22,551	\$ 11,275	\$ 33,826
Interest	115	73	188
Total revenues	<u>22,666</u>	<u>11,348</u>	<u>34,014</u>
EXPENDITURES:	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>22,666</u>	<u>11,348</u>	<u>34,014</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers out	<u>(17,396)</u>	<u>(11,826)</u>	<u>(29,222)</u>
Total other financing sources	<u>(17,396)</u>	<u>(11,826)</u>	<u>(29,222)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	<u>5,270</u>	<u>(478)</u>	<u>4,792</u>
FUND BALANCES:			
Beginning of year	<u>13,664</u>	<u>4,922</u>	<u>18,586</u>
End of year	<u>\$ 18,934</u>	<u>\$ 4,444</u>	<u>\$ 23,378</u>

The accompanying notes are an integral part of these financial statements.



ADRIAN, MICHIGAN  
JACKSON, MICHIGAN

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Township Board  
Township of Deerfield  
Lenawee County, Michigan

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Deerfield as of and for the year ended June 30, 2005 which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Deerfield's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the Township of Deerfield's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the township board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Adrian, Michigan  
December 14, 2005



ADRIAN, MICHIGAN  
JACKSON, MICHIGAN

December 14, 2005

Elected Officials and Board of Trustees  
Deerfield Township  
Deerfield, Michigan

We have audited the financial statements of Deerfield Township for the year ended June 30, 2005, and have issued our report thereon dated December 14, 2005. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control of Deerfield Township. Such considerations were solely for the purpose of determining our audit procedures not to provide any assurance concerning such internal control.

#### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Deerfield Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2004/2005. We noted no transactions entered into by Deerfield Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Deerfield Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Deerfield Township's financial reporting process.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Deerfield Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management this year prior to our retention as Deerfield Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

### Other Matters (Comments and Recommendations)

We would like to thank Pam and Shirley for their cooperation during our audit. Although not considered a material weakness, we have the following comments and recommendations with respect to matters, which came to our attention during the course of our audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving accounting controls and the financial and administrative practices and procedures.

1. Although not material we noted some minor instances where the actual expenditures on a line item bases exceeded their budgeted amounts. Per P.A. 621 of 1978, local units of government shall not incur expenditures in excess of the amount appropriated. However, in total you did not exceed your budgeted amounts.

2. We would like to make you aware that the Governmental Accounting Standards Board has issued Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement radically changes the reporting requirements for Townships. Under current guidelines (a copy of the Michigan Bulletin for Audits of Local Governments is attached) the Township has only adapted a modified version of Statement No. 34, which resulted in the adverse opinion given in the auditor's report. If the township wishes an unqualified opinion, which is the cleanest opinion, it would need to fully implement GASB 34.

This information is intended solely for the use of the Township Board of Deerfield Township and should not be used for any other purpose.

Very truly yours,



Gross, Puckey, Gruel & Roof, P.C